

ALLIANZ RISK TRANSFER AG

Annual Report 2022

This document is an unofficial English translation of the annual report.
Only the original German version of the annual report is authoritative.

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MANAGING BODIES

MANAGING BODIES AS AT 31.12.2022

Board of Directors

Joachim Müller (President)
William Scaldaferrì (Vice President)
Carsten Scheffel
Aylin Somersan Coqui

Executive Board

Christoph Müller (Chairman)
Robert Makelaar
Lara Martinèr
Thomas Schatzmann

Important Functions

Donnino Anderhalden (Head of Risk Management)
Anna Hollinger (Head of Compliance)
Henning Sohnemann (Head of Claims)
Anahid Terzian (Head of Actuary)

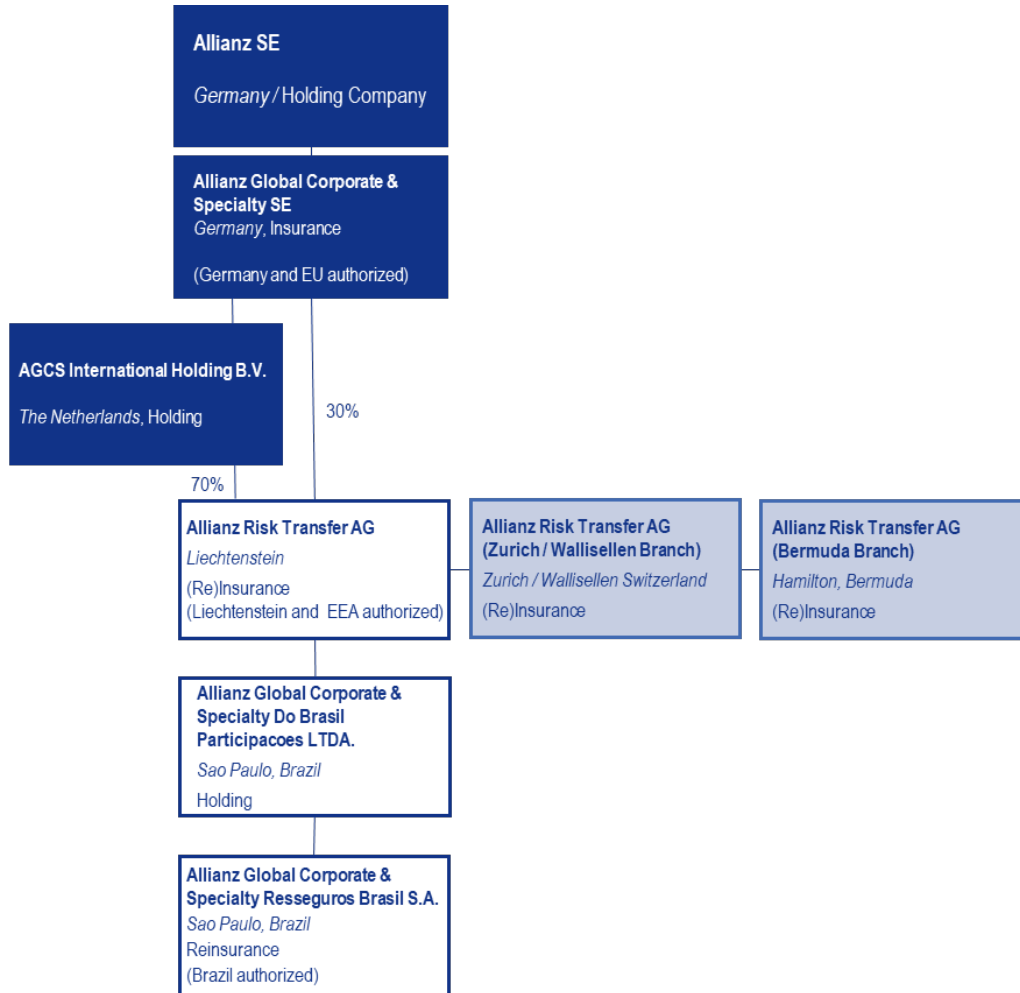
Internal Audit

Marcus Zappe (Department Head)

Auditors

PricewaterhouseCoopers AG (PwC), Zurich

COMPANY STRUCTURE*



* Save where specified otherwise, all participations are 100%, except that: (a) Allianz Risk Transfer AG owns 99.99 % of AGCS Do Brasil Participacoes LTDA; and (b) Allianz Risk Transfer AG is owned by AGCS International Holding B.V. (70%) and Allianz Global Corporate & Specialty SE (30%)

Legal Entity
Branch

ANNUAL REPORT

Introduction

Allianz Risk Transfer AG (ART AG) is a Liechtenstein-based stock company and indirectly a wholly owned subsidiary of Allianz Global Corporate & Specialty SE (AGCS SE), with its registered office in Munich. Seventy percent (70%) of the shares in ART AG are held by AGCS International Holding B.V. in Amsterdam, a wholly owned subsidiary of AGCS SE. ART AG was founded in Switzerland in 1997 as a globally operating risk entity of Allianz in the field of Alternative Risk Transfer.

ART AG's business segments encompass national and international corporate customer business as well as customer-specific special solutions in all areas of non-life insurance and all reinsurance risks. In addition, ART AG acts as a reinsurer for internal group risks.

ART AG offers internationally operating customers a wide range of insurance and reinsurance policies, particularly in the lines of business general liability, wealth insurance, property and technical insurance as well as in specialty lines of transport, marine and aviation insurance and energy supply. These services also include efficient claims handling, cross-border solutions within the framework of international insurance programs, captive and fronting services as well as risk consulting and structured risk transfer solutions. The cooperation with AGCS SE Group companies and a network of Allianz affiliates in over 70 countries as well as network partners at other locations allows ART AG to serve customers in 200 countries. ART AG maintains branch offices in Zurich/Wallisellen (Switzerland) and Hamilton (Bermuda).

PricewaterhouseCoopers AG, Zurich, was appointed as the auditor for the 2022 financial year.

ART AG is part of the Allianz Group headed by Allianz SE, Munich. The latter is regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin), Graurheindorfer Strasse 108, 53117 Bonn. ART AG is included in Allianz SE's Solvency II consolidated financial statements. Allianz SE's annual report and Solvency II Report are published on its website. The reports can be viewed there or requested from the company.

This annual report and the Solvency and Financial Condition Report (SFCR) for ART AG can be found at: www.agcs.allianz.com/global-offices/allianz-risk-transfer.html

Performance and Results

The market environment was clearly positive for insurers in financial year 2022. On the one hand, the restrictions imposed due to Covid-19 were ended for all practical purposes, while, on the other hand, the trend towards higher premiums became stronger.

From an operational perspective, the war in Ukraine presented a challenge right at the start of the year because coverage and risks had to be reviewed within a very short time. Contracts also had to be amended to effectively apply and implement the dynamic sanctions imposed against Russia.

In many of our target markets, there was an unexpected steep increase in the rate of inflation, which triggered a series of interest rate hikes by the central banks. This, in turn, had a significant impact on our investments. Conversely, numerous currencies gained in strength compared to the euro, which had a positive effect on our international portfolios.

The increasing premium rates and uncertainties on the capital markets increased demand for non-traditional products, especially for cover not available as standard. Clients are likewise attempting to

participate in their own risks by means of captive solutions. This increases our opportunities to foster long-term relationships with clients.

Following a portfolio optimisation with a corresponding new definition of the risk appetite, in 2022 a greater focus on the market presence was observed.

Within our Swiss industrial business in particular, the number of new contracts and customer loyalty were very pleasing.

Gross written premium increased by 8.8% year-on-year, rising by € 137.4 million to € 1,417.7 million. This was particularly driven by the reduction of the Insurance Linked Market (ILM) business of our Bermuda operation, with a volume downturn of € 100.9 million. The reduction of the commitment to serve for intra-Group reinsurance also prompted the gross premiums to fall, namely by € 74.3 million. On the other hand the premium volume for the Swiss industrial business and the structured insurance solutions business slightly increased. Net premiums earned decreased by 22.9%, from € 60.6 million to € 204.1 million. This reduction is primarily the result of the reduced volume of intra-Group reinsurance written. In the Swiss industrial business, the premium volume earned rose by 5.0% to € 56.8 million.

The effects on the loss expense caused by Covid-19 and the war in Ukraine were minimal.

Despite larger gross burdens experienced in the natural catastrophe segment, the net claims incurred for insured event fell significantly. In fact, a net surplus of € 36.2 million was achieved here. However, this surplus is not solely attributable to the reduction of claims reserves, but is also to be seen in the light of higher dividend reserves posted in the amount of € 129.3 million (€ 54.5 million). A re-evaluation of the various contracts led to a transfer from the claims provisions to the dividend provisions resulting in a significant reduction in the net charges for insurance benefits.

However, compared to the previous year the claims ratio was better in all business segments.

The other operating expenses fell from € 6.6 million to € 4.8 million, primarily due to the greater stability in commission income generated from the fronting and ILM business. The expense ratio correspondingly decreased from 2.5% in the previous year to 2.3% in 2022.

The company achieved a net underwriting profit of € 106.2 million (€ 140.5 million).

Compared to the previous year, investment income fell to € 3.9 million (€ 13.5 million). This is attributable to lower yields from investments and to the realisation of net losses from the disposal of investments in 2022. The decline in the returns from investments is largely due to an adjustment posting for Deposit Account business arising in previous years. The contribution to earnings from interest-bearing investments rose slightly in comparison to the previous year.

The pre-tax profit amounted to € 106.1 million, compared to € 163.9 million in the previous year. The tax charge amounted to € 13.7 million (€ 14.7 million). The annual profit after tax was € 92.3 million (€ 149.1 million).

ART AG continued its security-focussed investment strategy in 2022. The company's aim is to generate the most attractive return possible while limiting risk. By diversifying its investments across different asset classes and currencies, a satisfactory level of investment income was again achieved in 2022.

To cover the financial obligations arising from the insurance business, an overwhelming portion of the company's portfolio is invested in fixed-income investments.

The fixed-income investments are focussed on international corporate and government bonds. A large proportion of government bonds and bonds of government-related issuers remain concentrated on the core Eurozone countries, Switzerland and the United States of America.

The company essentially pursues an investment strategy based on matching currencies.

Performance of Investments

The book value of ART AG's investment portfolio rose in the year under review to € 1,260 billion (€ 1,051 billion).

The increase in the investment portfolio is mainly attributable to net additions in terms of bonds and other fixed-income securities, and higher deposits retained on assumed reinsurance business.

Risk Report

The main elements of ART AG's risk management system are:

- a strong risk management culture, promoted by a robust risk organisation and effective risk principles (risk governance);
- a comprehensive risk capital calculation with the aim of protecting the capital base while supporting effective capital management, and
- the inclusion of capital requirements and risk considerations in the decision-making and management process.

This comprehensive approach ensures that risks are appropriately identified, analysed and evaluated. The risk appetite is described in the risk strategy and made operational through the associated system of limits. Further limits are stipulated and detailed in specific standards and guidelines. Rigorous risk monitoring and corresponding reports enable any failure to comply with risk tolerance criteria to be identified at an early stage.

The principal risks to which ART AG is exposed are actuarial, market and credit risks, as well as the operational risk.

Actuarial risk

Actuarial risk is subdivided into premium and reserve risk, i.e. the risk that insurance premiums may be insufficient to cover future claims, or that existing claims may lead to settlement losses relative to the recorded claim provisions.

Premium risks are controlled by means of underwriting guidelines, among other things. Underwriting guidelines limit the insurance or liability sum per contract. As part of strategic planning, future business volumes and associated risks, as well as their impact on solvency, are forecasted. With regard to reserve risk, the company regularly monitors the development of provisions for insured events at individual policy level. In addition, ART AG performs annual reserve uncertainty analyses in order to evaluate the sensitivity of reserves to the assumptions on which the calculations are based.

Market risk

Market risk is the risk of losses due to fluctuations in market value, differentiated according to the type of investment.

ART AG's investments are managed centrally by specialists at Allianz Investment Management SE as part of the outsourcing of

functions. The investment strategy is geared towards the requirements of ART AG's asset/liability management. Allianz Investment Management SE implements the investment strategy within the framework of a risk and limit system for investments stipulated by ART AG. The company adjusts the risk and limit system each year.

The company's strategic asset allocation stipulates that the company must essentially invest in fixed-income securities. Investments are made in accordance with the principle of corporate caution and are usually held to maturity. Interest rate risk is managed as part of a comprehensive asset/liability management system. Credit risks arising from fixed-income securities are limited and monitored by means of concentration limits. Derivatives were used only to hedge currency risks in the year under review, in line with the investment strategy.

Credit risk

Credit risk encompasses counterparty default risk owing to the insolvency or financial difficulties of reinsurers, policyholders, insurance brokers and issuers of securities and the creditworthiness risk arising from losses in value due to a deterioration in the creditworthiness of debtors.

Premium income and own funds required to cover written risks are invested almost exclusively in fixed-income securities. As it focuses on non-life insurance business, ART AG typically chooses investments with short- to medium-term maturities, which reduces the credit risk.

The credit risk with respect to reinsurers arises due to insurance risks that ART AG transfers to reinsurance companies in order to reduce its own actuarial risks. Potential losses may arise either from payment defaults linked to existing settlement claims arising from the reinsurance business or from defaults on reinsurance receivables.

Reinsurance partners are checked by the Allianz Group Security Vetting Team (SVT). The SVT ensures to the greatest extent possible that companies with strong credit profiles are selected. It may also request letters of credit, cash deposits or other financial collateral to further reduce the credit risk.

Credit limits are managed centrally within the Allianz Group. The limits for individual counterparties are based on a large number of factors, such as the debtor's rating, its total assets, the associated business segment and region of the business; the respective limit utilization is also factored into setting the limit.

Additionally, the AGCS Group has the option of adjusting the maximum risk downside with respect to a debtor or group of debtors by stipulating its own limit. These credit limits set by AGCS apply to the entire Allianz Group. ART AG, as part of the AGCS Group, is subject to the credit limits defined by the Allianz Group and AGCS Group.

For detailed information about ART AG's risk profile, please refer to the Solvency and Financial Condition Report.

Solvency and Financial Condition Report

Insurance companies are required to publish a report each year on their solvency and financial situation, taking account of qualitative and quantitative aspects as well as historic, current and forecast components, based on data from internal and external sources. This report does not form part of the annual report.

ART AG publishes the 'Solvency and Financial Condition Report' as a separate document on its website at: www.agcs.allianz.com/global-offices/allianz-risk-transfer.html

Forecast

The global insurance market is likely to continue to develop positively overall in 2023. Essentially, the same driving forces are at work as in the previous year: the ongoing economic recovery (especially in industrialized countries), the increased risk awareness of households and companies, and rising prices, especially in the corporate client business. The interest rate developments and the inflationary environment are expected to slow down somewhat. The higher interest rates will improve the income from investments over the short to medium term.

The "New AGCS" strategy introduced in 2022 has achieved outstanding results in all key areas (Technical Excellence, Right Markets & Segments, Global First and The How), meaning that AGCS was able to outperform its financial targets for 2021 and 2022. Now, AGCS and therefore ART AG, too, are entering the second phase of "New AGCS" in which they are applying their differentiated service commitment to the marketplace, in order to move towards assuming market leadership while maintaining a focus on profitability. This profitable growth in the target segments of AGCS is underpinned by the continuous improvement in terms of Technical Excellence. The efforts here are focussed on tools for assisting with pricing, portfolio management, accumulation control, cycle management, and data management.

The consequences of the large increases in inflation since the end of 2021 are being more strongly felt in ART AG's portfolio and in the insurance industry over the short and medium term. Property and construction claims are particularly exposed to higher inflation as rebuilds and repairs involve material and labour costs, while material shortages and longer delivery times drive up business interruption values. Other insurance business lines, such as D&O insurance, professional indemnity and general liability are also susceptible to inflationary pressures due to rising legal defence costs and larger settlements. Furthermore, AGCS and therefore ART AG, as well as their competitors, are under considerable pressure to increase pay in order to remain competitive on the market and retain essential skilled staff.

ART AG will continue with its security-focussed investment strategy. In doing so, it will continue to draw on the Allianz Group's extensive experience of investing at home and abroad. To reduce its dependence on the performance of the capital market, the portfolio will be continuously monitored and restructured when necessary.

ART AG's investment planning is essentially based on the assumption of a conservative investment portfolio without significant equity exposures. Higher interest earnings are forecast for 2023 because it is expected that the average reinvestment returns of the portfolio will exceed the book interest rate. Current uncertainty about the future performance of the capital markets may, in future, lead to continued volatility with corresponding positive or negative effects on market values and on ART AG's investment income.

These statements are subject to the proviso that natural catastrophes, adverse developments on the capital markets and other factors may negatively affect the forecasts to a greater or lesser extent.

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ANNUAL FINANCIAL STATEMENT

BALANCE SHEET

€ thousands

As of 31.12	Appendix	2022	2021
ASSETS			
B. Investments		1,260,246	1,050,720
II. Investments in affiliated enterprises and participations	1, 2, 3	44,407	44,407
1. Shares in affiliated enterprises		44,407	44,407
III. Other investments	1, 3	1,127,542	946,035
1. Equities, other non-fixed-income securities and units in investment funds		1,573	1,476
2. Bonds and other fixed-income securities		1,113,175	925,151
6. Deposits with banks		9,038	8,737
7. Other investments		3,756	10,671
IV. Funds held by others under reinsurance business assumed		88,297	60,278
D. Other accounts receivable		620,587	704,929
I. Accounts receivable on direct insurance business		11,252	32,255
1. from policyholders		4,559	8,013
a) from affiliated companies		-	1
c) from other policyholders		4,559	8,012
2. from insurance brokers		6,693	24,242
a) from affiliated companies		-	65
c) from other insurance brokers		6,693	24,177
II. Accounts receivable on reinsurance business		534,620	643,759
1. from affiliated companies		177,831	197,406
3. from other debtors		356,789	446,353
III. Other receivables		74,715	28,915
1. from affiliated companies		73,197	27,290
3. from other debtors		1,518	1,625
E. Other assets		84,606	99,309
I. Tangible assets (excluding land and buildings) and inventories		-	911
II. Current credit balances at banks, post-office check balances, checks and cash in hand		84,606	98,398
F. Deferred income		5,381	4,142
I. Accrued interest and rent		5,381	4,142
Total assets		1,970,819	1,859,100

€ thousands

As of 31.12	Appendix	2022	2021
LIABILITIES			
A. Equity			
		746,790	623,206
I. Called-up capital		331,529	131,529
1. Subscribed capital		463,059	263,059
2. Thereof: non-called-up capital		- 131,529	- 131,529
IV. Profit reserves		188,417	157,176
1. Statutory reserve		131,529	131,529
4. Fluctuation reserves		56,888	25,647
V. Profit reserves		134,501	185,374
VI. Annual profit		92,342	149,127
D. Insurance reserves			
		725,846	648,275
I. Premiums brought forward		27,520	31,729
1. Gross		313,925	295,738
2. Thereof: Share of reinsurers		- 286,406	- 264,009
III. Reserve for loss and loss adjustment expenses		447,308	476,071
1. Gross		2,816,891	2,028,691
2. Thereof: Share of reinsurers		- 2,369,583	- 1,552,620
IV. Provision for performance-related and non-performance-related premium reimbursement		251,018	140,475
1. Gross		253,961	143,005
2. Thereof: Share of reinsurers		- 2,943	- 2,530
F. Other reserves			
		33,724	21,637
II. Tax reserves		28,716	16,834
III. Other reserves		5,008	4,803
G. Funds held under reinsurance business ceded			
		9	-
H. Other liabilities			
		462,746	564,964
I. Accounts payable on direct insurance business		92,810	26,646
1. to affiliated companies		53,463	5,831
3. to other creditors		39,347	20,815
II. Accounts payable on reinsurance business		361,424	525,280
1. to affiliated companies		105,051	184,561
3. to other creditors		256,373	340,719
V. Other liabilities		8,512	13,038
2. Social security liabilities		268	270
5. Other liabilities to other creditors		8,243	12,768
I. Deferred income			
		1,705	1,018
Total liabilities		1,970,819	1,859,100

It is hereby confirmed that the sum of € 725,846 (648,275) thousand shown in the balance sheet under the item for actuarial provisions has been calculated in accordance with the provisions of the Liechtenstein Insurance Supervision Ordinance ("VersAV").

Schaan, 28 March 2023

Anahid Terzian
Responsible Actuary

INCOME STATEMENT

€ thousands

	Appendix	2022	2021
1. Premiums earned for own account		204,116	264,714
a) Gross premiums written	7	1,417,664	1,555,070
b) Ceded reinsurance premiums		- 1,220,346	- 1,323,436
c) Change in gross premiums carried forward		- 526	33,473
d) Change in reinsurers' share of gross premiums carried forward		7,324	- 393
4. Charges for insurance claims for own account		36,173	- 63,203
a) Payments for claims		- 22,389	- 176,697
aa) Gross		- 691,218	- 917,464
bb) Reinsurers' share		668,829	740,767
B) Change in the reserve for loss and loss adjustment expenses		58,561	113,494
aa) Gross		- 707,009	- 261,712
bb) Reinsurers' share		765,570	375,206
6. Cost of performance-related and non-performance-related premium reimbursement for own account		- 129,279	- 54,457
7. Expenses for insurance operations for own account		- 4,784	- 6,589
a) Acquisition costs		- 135,896	- 132,770
b) Administrative expenses		- 11,653	- 11,276
c) Commission received and profit-sharing on retroceded business		142,765	137,457
8. Other underwriting expenses for own account		-	- 1
10. Underwriting result for non-life insurance		106,225	140,464
3. Investment income		7,759	15,547
c) Current income from other investments		6,700	9,620
e) Realised gains on the disposal of investments		1,059	5,927
5. Investment expenses		- 3,845	- 1,998
a) Cost of administering investments and interest expenses		- 840	- 632
c) Realised losses on the disposal of investments		- 3,005	- 1,366
7. Other income from ordinary business activities		4,670	13,184
8. Other expenses for ordinary business activities		- 8,739	- 3,333
9. Result from ordinary activities		106,070	163,864
13. Taxes on income		- 11,152	- 12,022
14. Other taxes		- 2,575	- 2,715
Annual profit		92,342	149,127

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NOTES

ACCOUNTING PRINCIPLES

The company prepares the annual financial statement and the annual report in accordance with the provisions of the Liechtenstein Persons and Companies Act (Personen- und Gesellschaftsrecht – “PGR”), as well as the Liechtenstein Insurance Supervision Act (Versicherungsaufsichtsgesetz – “VersAG”) and the Liechtenstein Insurance Supervision Ordinance (Versicherungsaufsichtsverordnung – “VersAV”).

The annual financial statement has been drawn up in thousands of euro (€ thousand). The financial year corresponds to the calendar year, which means that 31 December is the balance sheet date.

The accounts of non-domestic branch offices are usually drawn up in the respective national currency. For the periodic financial statements, balance sheet items are converted into euro at the rate on the reporting date, while income statement items are converted at the average rate.

Due to rounding, there may be minor discrepancies in totals and the calculation of percentages.

Accounting, valuation and calculation methods

Intangible assets

Intangible assets are reported at production or acquisition cost and are amortised on a straight-line basis over their useful lives (maximum of five years).

Shares in affiliated companies, loans to affiliated companies, participating interests

These items are reported at acquisition cost. In the event of impairment that is expected to be permanent, the corresponding value adjustments are made.

The fair value of shares in affiliated companies and participating interests is determined using the equity method.

Other investments

Stocks, investment fund units, bearer bonds, other fixed-income securities and other variable income securities

The company's own investments are valued at the lower of cost or market and are reported at the average acquisition cost or the market value if lower.

The fair values of stock market-listed investments are determined based on the stock market value on the balance sheet date or, if this is not a trading day, on the last trading day before the balance sheet

Premiums brought forward

In the direct insurance business, unearned premiums are predominantly determined according to the daily calculation method. Flat rates are applied to a limited extent.

For reinsurance business assumed, premiums brought forward are reported on the basis of information provided by the ceding insurers. The reinsurance share deducted from gross unearned premiums is generally determined using the daily calculation method.

date. Investments that are not listed are recognised at their expected realisable value.

Bonds and other fixed-income securities

These are carried at amortised cost.

Mortgage claims, other lending and loans

These are stated at face value and adjusted for any impairments.

Deposits with banks

These items are carried at face value.

Requirement to reinstate original values, write-ups

Assets that have been written down to a lower market value in previous years can be subject to write-backs if the value of these assets is deemed to have increased again as at the balance sheet date. Write-backs may be carried out up to amortised cost or the market value if lower.

Deposits retained on assumed reinsurance

These items are carried at face value.

Other receivables and other assets

In detail:

- Receivables from direct insurance business;
- Accounts receivable on reinsurance business;
- Other accounts receivable;
- Current credit balances at banks, checks and cash in hand and
- Other assets.

These are reported at face value.

For accounts receivable from direct insurance business, general loss allowances are made to account for the credit risk.

Tangible assets and other assets are measured at amortised cost. The amortisation period is determined based on the useful life and is usually five years.

The accounts receivable from reinsurance business are netted separately for incoming and outgoing reinsurance for each contractual partner.

Insurance reserves

In the case of quota share cessions with original cost sharing, the pro rata unearned premiums are recognized in accordance with the quota share of the reinsurer.

Provisions for unsettled insurance claims

The probable insurance payout is determined for each known insurance claim based on claims records.

For claims that have occurred but have not yet been reported by the balance sheet date, statistical methods are applied to calculate an

additional provision for each risk group, and provisions are recognised for reinsurance business assumed in accordance with the information provided by the ceding insurers.

For reinsurance business ceded, the reinsurers' share in provisions is determined in accordance with the contractual agreements.

Provisions for performance-related and non-performance-related premium reimbursement

This item is determined on the basis of individual contracts and is defined in accordance with the respective payout sum that is anticipated.

Other reserves

Non-technical provisions are always stated at the expected settlement amount. The expected settlement amount is derived from the best estimate.

Liabilities

In detail:

- Deposits retained on retroceded business;
- Liabilities from direct insurance business;
- Accounts payable on reinsurance business;
- Liabilities to banks and
- Other liabilities.

These liabilities are stated at the amounts payable on maturity.

The settlement liabilities from the reinsurance business are netted separately for incoming and outgoing reinsurance for each contractual partner.

Approximation and simplification methods

To the extent that calculations from ceding insurers are no longer received in time for the financial year, the underwriting entries are estimated on the basis of past experience, taking into account current developments.

Currency conversion

As a general rule, all transactions are presented in the balance sheet currency at the relevant mean spot exchange rate on the date of the transaction.

Assets and liabilities denominated in foreign currencies are generally converted at the mean spot exchange rate on the balance sheet date. Shares in affiliated companies are converted at historic rates. The lowest value principle is applied, which means that losses resulting from conversion are always taken into account, but profits are realised only if they have a residual term of one year or less.

As a result of this valuation method, currency gains and losses are not determined separately and are therefore not included in the currency conversion result.

Extraordinary currency gains and losses, especially from own capital transactions, are offset against the fluctuation reserve.

Conversion rates (EUR 1):

	31.12.2022	31.12.2021
CHF	0.98745	1.03615
USD	1.06725	1.13720
GBP	0.88725	0.83960
AED	3.91960	4.17700

NOTES TO THE BALANCE SHEET

1) Investments

in € thousands

	31.12.2021 Book value	Additions	Reclassification s	Disposals	Write-ups	Write-downs	31.12.2022 Book value
B. Investments	1,050,720	461,603	-	- 278,418	28,374	- 2,035	1,260,246
II. Investments in affiliated enterprises and participations	44,407	-	-	-	-	-	44,407
1. Shares in affiliated enterprises	44,407	-	-	-	-	-	44,407
2. Debentures of affiliated companies and loans to affiliated companies	-	-	-	-	-	-	-
III. Other investments	946,035	434,781	-	- 278,418	27,178	- 2,035	1,127,542
1. Equities, other non-fixed-income securities and units in investment funds	1,477	-	-	-	96	-	1,573
2. Bonds and other fixed-income securities	925,151	434,388	-	- 271,502	27,082	- 1,943	1,113,175
6. Deposits with banks	8,737	393	-	-	-	- 92	9,038
7. Other investments	10,671	-	-	- 6,915	-	-	3,756
IV. Funds held by others under reinsurance business assumed	60,278	26,823	-	-	1,196	-	88,297

2) Holdings of shares in affiliated companies and participating interests

Company	Registered office	Share %	Currency	Share capital	Annual result 2022 in € thousands
Allianz Global Corporate & Specialty do Brasil Participações Ltda.	Sao Paulo	99.9	BRL	251,488,094	- 118

The shares in affiliated companies include € 1.8 million of undisclosed reserves. A tax rate of 12.5% applies.

3) Fair values of investments

in € thousands

	2022	2021
Investments in affiliated enterprises and participations	46,215	44,407
Shares in affiliated enterprises	46,215	44,407
Other investments	1,050,795	954,551
Equities, other non-fixed-income securities and units in investment funds	1,573	1,477
Bonds and other fixed-income securities	1,036,248	933,576
Deposits with banks	9,038	8,737
Other investments	3,936	10,761
Deposits retained on assumed reinsurance	88,297	60,278

4) Equity and proposal for the appropriation of profit for submission to the General Shareholders' Meeting

Allianz Global Corporate & Specialty SE (AGCS SE), with registered office in Munich, owns (directly and indirectly) 100% of shares in parent company ART AG, with registered office in Schaan, Liechtenstein.

AGCS SE holds 30% of shares in ART AG directly, while 70% of shares in ART AG are held by AGCS International Holding B.V. in Amsterdam. AGCS SE is a wholly owned subsidiary of Allianz SE, Munich. The annual financial statement of Allianz SE is available at www.allianz.com.

ART AG's share capital is divided into 463,058,540 registered shares worth € 1.00 each. These are 71,6% paid-up.

In €

	2022	2021
Profit brought forward Jan. 01	334,500,966	185,374,201
Dividend according to extraordinary general meeting 28.11.	- 200,000,000	-
Annual profit Dec. 31	92,342,062	149,126,765
Net profit for the year	226,843,028	334,500,966
Appropriation	-	-
Allocation to the legal reserves	-	-
Allocation to the statutory reserves	-	-
Allocation to other reserves	-	-
Distributions from company capital	-	-
Dividend	- 92,342,062	-
Profit brought forward	134,500,966	334,500,966

The Board of Directors requests that the general meeting pay out a dividend of € 92,342,062 from the net earnings as of 31.12.2022.

5) Gross actuarial provisions

in € thousands

	Technical Provisions		of which gross provisions	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Insurance business total	725,846	648,275	3,384,778	2,467,434
Direct insurance business	134,627	113,670	383,442	300,943
General liability insurance	86,665	85,171	279,283	242,238
Fire and natural hazards insurance	17,999	7,781	25,916	13,653
Credit	1,588	2,423	1,588	2,423
Aviation liability insurance	20,075	16,044	41,945	36,157
Comprehensive aviation insurance	3,351	3,363	5,016	4,627
Other property insurance	94	1	123	32
Goods in transit (including commodities, items of luggage and all other goods)	230	328	1,203	2,070
Accident insurance (including industrial accidents and occupational illnesses)	565	854	1,463	1,568
Miscellaneous financial losses	4,061	-2,295	26,906	-1,825
Assumed reinsurance business	591,219	534,605	3,001,336	2,166,491
General liability insurance	240,969	211,949	744,555	1,682,988
Fire and natural hazards insurance	255,700	264,320	2,036,468	481,171
Liability insurance for land vehicles with their own engine	7,836	7,228	7,839	7,228
Credit	12,003	-31,758	24,092	-134,259
Comprehensive land vehicle insurance (excluding rail vehicles)	2,045	1,789	2,045	1,789
Aviation liability insurance	9,519	11,039	17,064	18,883
Comprehensive aviation insurance	338	394	480	533
Other property insurance	-7	5,300	-144	9,651
Goods in transit (including commodities, items of luggage and all other goods)	-1,673	14,385	35,688	40,067
Accident insurance (including industrial accidents and occupational illnesses)	8,427	9,590	10,888	11,026
Miscellaneous financial losses	56,063	40,369	122,360	47,414

Actuarial provisions do not include any fluctuation reserves.

ART AG generates sales with affiliated companies, which exclusively comprise Allianz Group companies, primarily in the fields of reinsurance and services.

These services are charged on the basis of framework agreements and service level agreements, on an arms-lengths basis.

The most substantial transactions with affiliated companies are listed below.

in € thousands

	2022	2021
Premiums earned for own account	- 10,570	24,609
Charges for insurance claims for own account	327,585	- 59,363

Administrative expenses and other income and other expenses for ordinary business activities also include the provision of various services within the Group. The resulting net expenses amount to € 9,256 (€ 12,866) thousand

6) Liabilities

The company does not have any liabilities with a remaining term of more than five years or any liabilities that are secured by liens or similar rights in rem on its accounts.

There are no deferred tax liabilities in accordance with the valuation principles of commercial law.

NOTES TO THE INCOME STATEMENT

7) Income broken down according to lines of business

in € thousands

	Gross premiums written		Net premiums earned		Net incurred claims		Net underwriting expenses		Net underwriting result	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Direct business and proportional reinsurance business assumed										
General liability insurance	104,427	96,023	29,958	29,693	- 3,234	- 8,569	- 762	- 4,640	25,962	16,482
Fire and natural hazards insurance	27,247	20,438	11,141	9,576	- 10,345	- 14,985	- 1,790	- 1,083	- 994	- 6,492
Credit	-	-	1,285	1,147	- 281	- 103	-	- 2	1,004	1,042
Aviation liability insurance	9,425	8,265	1,941	- 4,459	- 9,502	1,564	- 1,060	6	- 8,620	- 2,888
Comprehensive aviation insurance	3,311	2,700	1,871	1,664	- 1,068	- 2,878	- 326	109	477	- 1,105
Other property insurance	289	145	122	-	- 548	- 287	- 374	- 646	- 800	- 933
Goods in transit (including commodities, items of luggage and all other goods)	27	896	- 2	101	53	- 668	- 41	- 80	10	- 646
Accident insurance (including industrial accidents and occupational illnesses)	269	1,043	- 169	- 43	141	10	14	- 78	- 14	- 111
Miscellaneous financial losses	24,687	28,297	2,397	22,934	969	- 25,926	1,163	- 142	4,529	- 3,134
Subtotal	169,682	157,807	48,544	60,613	- 23,815	- 51,842	- 3,176	- 6,556	21,554	2,215
Non-proportional reinsurance business assumed										
Subtotal	1,247,982	1,397,263	155,572	204,101	- 69,291	- 65,818	- 1,608	- 33	84,671	138,249
Total	1,417,664	1,555,070	204,116	264,714	- 93,106	- 117,660	- 4,784	- 6,589	106,225	140,464

8) Premium income broken down according to regional origin

in € thousands

	2022	2021
Liechtenstein	1,314	847
Other EEA treaty states	34,401	13,666
Other states	133,968	143,294
Gross premiums written	169,683	157,807

The amounts shown relate solely to direct insurance business.

9) Personnel expenses

in € thousands

	2022	2021
a) Wages and salaries	15,930	14,688
b) Social security contributions and pension costs	3,865	4,548
of which for pensions	3,608	4,246

Total remuneration for the Executive Board amounted to CHF 2,336 thousand in the year under review. This sum includes salaries, fringe benefits and bonuses awarded for performance in the 2022 financial year. In addition, 3,238 restricted stock units (RSUs) with a fair value of € 500 thousand were allocated to the members of the Executive Board. Payment of these RSUs is linked to certain conditions and will be vesting in March 2026. The total remuneration for the Board of Directors amounted to CHF 35 thousand in the year under review. There were no pension commitments for former members of the Board of Directors or the Executive Board in the year under review.

SUPPLEMENTARY INFORMATION ABOUT THE ANNUAL FINANCIAL STATEMENT

Information about the total fees paid to the auditor can be found in the consolidated annual financial statements of Allianz SE, Munich (www.allianz.com).

Average number of employees during the year:

10) Average number of employees during the year

	2022	2021
Full-time equivalents	71.0	75.3

11) Sureties, guarantees and contingent liabilities

Pledged assets totalled € 500,755 (561,828) thousand.

12) Derivative financial instruments

ART AG uses derivative instruments solely to protect its long-term incentive scheme/RSUs and for individual foreign currency items.

The fair value of hedging transactions for the RSUs is € 2,994 (2,914) thousand and is reported under other accounts receivable.

13) Extraordinary income and extraordinary expenses

No transactions were reported as extraordinary income in financial years 2022 and 2021.

14) Significant events after the balance sheet date

The company is not aware of any reportable events after the balance sheet date.

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REPORT OF THE AUDITORS

Allianz Risk Transfer AG

Schaan

Statutory auditor's report to the
General Meeting
on the financial statements 2022

-- non-binding translation of the German original --



Statutory auditor's report

to the General Meeting of Allianz Risk Transfer AG Schaan

Report on the audit of the financial statements

Opinion

We have audited the financial statements (pages 11 to 21, excluding the footnote on page 12) of Allianz Risk Transfer AG (the "Company"), which comprise the balance sheet as at 31 December 2022, the income statement for the year then ended, and the notes to the financial statements (excluding the footnote below the balance sheet).

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance for the year then ended in accordance with Liechtenstein law.

Basis for opinion

We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in accordance with the provisions of Liechtenstein law and the requirements of the audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: EUR 19'000'000



We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As a key audit matter, the following area of focus has been identified:

- Provisions for unsettled insurance claims

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall Group materiality	CHF 19'000'000
Benchmark applied	Total assets
Rationale for the materiality benchmark applied	We choose the total assets figure as the reference figure for determining materiality, as we believe that this is the figure that is most relevant for the parties involved and readers of an insurance company's financial statements, particularly in the context of the overall group.

We agreed with the Audit Committee to report to it any misstatements above EUR 950'000 identified in the course of our audit, as well as any misstatements made below this amount which, in our view, still warrant reporting on the basis of qualitative considerations.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provisions for unsettled insurance claims

Key audit matter	How our audit addressed the key audit matter
<p>In the financial statements, the Company reported EUR 2'817 million gross and EUR 447 million net under the "Provisions for unsettled insurance claims" balance sheet item (so called claims provisions).</p> <p>Insurance companies are required to recognize claims provisions to the extent necessary in accordance with reasonable business judgment to ensure that they can meet their obligations from insurance contracts on a continuous basis. Defining assumptions for the purpose of measuring claims provisions requires the Board of Directors and Management, in addition to complying with the requirements of commercial and regulatory law, to make estimates of future events and to apply appropriate measurement methods.</p> <p>The methods used to determine the amount of the claims provisions and the calculation parameters are based on judgments and assumptions made by the Board of Directors and Management. In particular, the lines of business with long claims settlement periods, low loss frequency or high individual losses are usually subject to increased estimation uncertainties and consequently require a high degree of judgment by the Board of Directors and Management. Minor changes to those assumptions or to the methods used may have a material impact on the measurement of the claims provisions.</p> <p>Due to the material significance of the amounts of these provisions for the assets, liabilities and financial performance of the Company as well as the scope for judgment on the part of the Board of Directors and Management and the associated uncertainties in the estimations made, the measurement of the claims provisions is of particular significance in the context of our audit.</p> <p>The measurement model of the claims provisions are detailed in the notes to the financial statements on page 15 and further details on the position are provided on page 19.</p>	<p>Given the significance of the claims provisions for the Company's overall business, as part of our audit we will work with our internal valuation specialists to assess the assumptions made by the Board of Directors and Management and used by the Company.</p> <p>In doing so, we will base our assessment on our industry expertise and experience, among other things, and will consider recognized methods. We will also evaluate, where appropriate, the design and effectiveness of the controls established by the Company for the purpose of calculation and recording claims provisions. On that basis, we will carry out further analytical procedures and tests of detail relating to the measurement of the claims provisions. Among other things, we will also reconcile the data on which the calculation of the settlement amounts is based with the underlying documents. In this context, we will assess the results of the Company's calculations of the amount of the provisions with reference to applicable legal requirements and will evaluate the consistent application of the measurement methods and the accrual basis of accounting.</p> <p>Based on these audit procedures, we consider the models and assumptions used in the valuation of claims provisions as reasonable.</p>

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises that information included in the annual report, but does not include the financial statements, the management report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information in the annual report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, we have the responsibility to read the other information and to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, on the basis of our work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with Liechtenstein law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Liechtenstein law and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Liechtenstein law and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements or, whether due to fraud design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further information pursuant to article 10 of Regulation (EU) No 537/2014

We were elected as statutory auditor by the General Meeting on 4 April 2022. We have been the statutory auditor of the Company without interruption since the financial year ending 31 December 2018.

We declare that the audit opinions contained in this statutory auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of Regulation (EU) No 537/2014.

We have provided the following services, which were not disclosed in the financial statements or in the management report, in addition to the statutory audit for the audited company:

- Regulatory audit according to the Liechtenstein insurance regulation

Further, we declare that no prohibited non-audit services pursuant to article 5 in accordance with article 10 para. 2 lit. f Regulation (EU) No. 537/2014 were provided.

Further confirmations according to article 196 PGR and article 54 para. 3 VerAV

The management report has been prepared in accordance with the applicable legal requirements, is consistent with the financial statements and, in our opinion, based on the knowledge obtained in the audit of the financial statements and our understanding of the Company and its environment does not contain any material misstatements.

We further confirm that the financial statements and the proposed appropriation of available earnings comply with Liechtenstein law, the articles of incorporation and the regulatory requirements. We recommend that the accompanying financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Michael Stämpfli
Liechtenstein Certified Public Accountant
Auditor in charge

Christian Konopka

Zurich, 28 March 2023

-- non-binding translation of the German original --

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